

Message Text

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SUBJECT MARINE HOUSING

REF: A 77 STATE 300085, B 77 BUENOS AIRES 9001
C BUENOS AIRES 0095 BROWN/TELCON OF 12/9/77

1. EMBOFF HAS MET SEVERAL TIMES WITH EMBASSY LEGAL ADVISOR AND THE OWNER-REPRESENTATIVE OF THE PROPERTY LISTED IN REFTEL B. THE PROSPECTIVE SELLER OF THIS PROPERTY IS A SOUTH AMERICAN CORPORATION WHICH PAYS AN INCOME TAX AT THE RATE OF 33 PERCENT ON THE NET INCOME, WHICH WOULD INCREASE IN THE YEAR THAT THE ABOVE PROPERTY IS SOLD. TO OVERCOME THIS PROBLEM AND PERMIT THE SELLER TO OBTAIN A BETTER END PROCEED, THE SELLER PROPOSES TO ESTABLISH A NEW CORPORATION, PAYING THIS REAL ESTATE INTO THE NEW ENTITY AND THEN SELLING THE NEW CORPORATION STOCK TO THE USG OR SOME US ORGANIZATION OR ENTITY. SUCH A SALE, ACCORDING TO ARGENTINE LAW, IS SUBJECT TO ONLY A 0.5 PERCENT TAX. THE USG COULD ASSURE THAT THIS CORPORATION WAS NOT INDEBTED IN ANY WAY AND THAT THIS TYPE OF TRANSACTION IS LEGAL IN ARGENTINA.

2. THE MINIMUM SELLING PRICE OF THE PROPERTY IS US \$600,000 IT WAS PROPOSED THAT THE USG ENTER INTO A LEASE-AGREEMENT FOR APPROXIMATELY 5 MONTHS, AT A RENT OF US \$20,000 PER

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PAGE 02 BUENOS 00205 111622Z

MONTH, SIMULTANEOUSLY EXECUTING FIRM AGREEMENT ON THE PURCHASE OF THE ABOVE PROPERTY FOR THE BALANCE OF THE COST, WHICH AT THAT POINT WOULD BE US \$500,000. DURING THE LASE PERIOD, LEASEE WOULD BE AUTHORIZED TO MODIFY THE BUILDING AS NEEDED. THE POTENTIAL SELLER HAS REQUESTED A 20 PERCENT DOWN PAYMENT ON THE SALE PRICE, US \$100,000, TO HEDGE AGAINST ADJUSTMENTS BETWEEN THE US DOLLAR VALUE AND THAT

OF LOCAL REAL ESTATE PRICES.

3. THE ABOVE OPTION APPEARS TO BE THE ONLY WAY TO OBTAIN THIS PIECE OF HIGHLY DESIRABLE REAL ESTATE FOR A MARINE HOUSE. HOWEVER, IT RAISES QUESTIONS OF WHETHER IT IS A LEGAL OR ADMINISTRATIVE OBSTACLE WITH RESPECT TO THE USG PURCHASE OF THE TOTAL SHARE OF THE CORPORATION OWNING THE PREMISES, WHETHER THE USG WILL BE WILLING TO MAKE THE DOWN PAYMENT OF US \$100,000 AND WHETHER THERE ARE SUFFICIENT FUNDS AVAILABLE TO MAKE THE ENTIRE TRANSACTION. THE \$600,000 TOTAL PRICE MIGHT BE NEGOTIATED TO \$550,000. HOWEVER, THE PURCHASE WOULD HAVE TO BE THROUGH THE DEVICE EXPLAINED ABOVE IN ORDER TO REDUCE THE TAX IMPACT ON THE SELLER.

4. THE LEASE ON THE APARTMENTS NOW USED AS A MARINE HOUSE HAS OPTIONS TO CARRY US THROUGH 6 YEARS. EVEN IF WE WERE TO ASSUME NO FURTHER INCREASES FOLLOWING THE 6TH YEAR, WE COULD CMORTIZE THE NEGOTIATED COST OF THIS HOUSE IN 12 YEARS. IT IS NATURAL TO ASSUME, HOWEVER, THAT THERE WILL BE FURTHER INCREASES IN THE SECOND 6 YEARS OF THE 12 YEAR PERIOD WHICH WILL EASILY EXCEED THE US \$600,000 ASKING PRICE.

5. WE HAVE RECENTLY EXPERIENCED ANOTHER EXAMPLE OF THE INADEQUACY OF THE PRESENT LEASED MARINE HOUSE. THERE WAS A FIRE LIMITED OFFICIAL USE

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PAGE 03 BUENOS 00205 111622Z

WHICH STARTED IN THE KITCHEN. THE CONFIGURATION OF THE HOUSE WAS SUCH THAT PEOPLE WOULD HAVE BEEN TRAPPED IN THE UPPER FLOORS EXCEPT FOR THE VERY QUICK AND BRAVE REACTION OF THE MARINES. DURING INVESTIGATION OF THE FIRE, THE ADMINCOUNS LEARNED FROM OTHERS WHO LIVE IN THE BUILDING THAT SOME CONSIDER IT AN UNNATURAL SITUATION TO HAVE THAT MANY YOUNG MEN LIVING IN THE SAME BUILDING WHERE FAMILIES DWELL. THIS IS BECOMING AN INCREASINGLY SIGNIFICANT PROBLEM. THE POST URGENTLY REQUESTS APPROVAL OF THE PURCHASE OF THIS HOUSE.

6. THERE IS ALSO A LONG RANGE SOLUTION. POST COULD CONSTRUCT A MARINE HOUSE ON THE AMBASSADOR RESIDENCE PROPERTY. THIS WOULD BE IN THE LOCATION NOW OCCUPIED BY THE CRUMBLING EDIFICIO OURO. FOR A SIMILAR SUM OF PURCHASING THE HOUSE UNDER DISCUSSION, WE COULD BUILD A VERY NICE MARINE HOUSE WITH AN INDOOR POOL AND GYMNASIUM PLUS THREE 2BEDROOM APARTMENTS FOR STAFF HOUSING. THE CONSTRUCTION WOULD BE DESIGNED WITH SEPERATE ENTRANCES AND SEPARATE LIVING FOR THE MARINES AND THE STAFF. WHILE THIS SOLUTION DOES NOT GET THE MARINES OUT OF THE INADEQUATE HOUSE NOW UNDER LEASE, A DECISION TO GO FORWARD WITH A CONSTRUCTION PROJECT WOULD PERHAPS SATISFY THE MARINE CORPS THAT WE ARE

MAKING PROGRESS TOWARDS TAKING CARE OF THE MARINES IN
BUENOS AIRES.

7. THE POST URGES QUICK AND HIGH PRIORITY ACTION TO OBTAIN
ADEQUATE HOUSING FOR OUR PATIENT, HARD WORKING AND LONG
SUFFERING MARINES.

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